

**OPEN MEETING AGENDA ITEM**

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**BEFORE THE ARIZONA CORPORATION COMMISSION****COMMISSIONERS**

11 LEA MÁRQUEZ PETERSON - Chairwoman  
12 SANDRA D. KENNEDY  
13 JUSTIN OLSON  
14 ANNA TOVAR  
15 JIM O'CONNOR

16 IN THE MATTER OF THE APPLICATION  
17 OF SOUTHWEST GAS CORPORATION  
18 FOR THE ESTABLISHMENT OF JUST  
19 AND REASONABLE RATES AND  
20 CHARGES DESIGNED TO REALIZE A  
21 REASONABLE RATE OF RETURN ON  
22 THE FAIR VALUE OF THE PROPERTIES  
23 OF SOUTHWEST GAS CORPORATION  
24 DEVOTED TO ITS ARIZONA  
25 OPERATIONS.

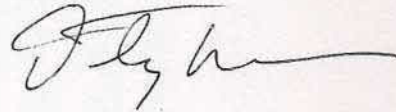
Docket No. G-01551A-21-0368

**SOUTHWEST ENERGY EFFICIENCY  
PROJECT NOTICE OF FILING**

26 Southwest Energy Efficiency Project ("SWEEP") provides notice that it is filing the  
attached response to comments from SWEEP representatives, Caryn Potter and Justin Brant.

1 DATED this 9<sup>th</sup> day of January, 2023.

2 ARIZONA CENTER FOR LAW IN THE  
3 PUBLIC INTEREST

4 

5 By \_\_\_\_\_  
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14  
15 ORIGINAL of the foregoing E-Filed  
16 this 9<sup>th</sup> day of January, 2023, with:

17 Docket Control  
18 Arizona Corporation Commission  
19 1200 W. Washington  
Phoenix, AZ 85007

20 COPIES of the foregoing mailed/emailed  
21 this 9<sup>th</sup> day of January, 2023 to the  
22 persons identified on the attached service  
list, consisting of one page.

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24 \_\_\_\_\_  
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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

JIM O'CONNOR, Chairman  
LEA MÁRQUEZ PETERSON  
ANNA TOVAR  
KEVIN THOMPSON  
NICK MYERS

IN THE MATTER OF THE APPLICATION OF  
SOUTHWEST GAS CORPORATION FOR THE  
ESTABLISHMENT OF JUST AND REASONABLE  
RATES AND CHARGES DESIGNED TO REALIZE A  
REASONABLE RATE OF RETURN ON THE FAIR  
VALUE OF THE PROPERTIES OF SOUTHWEST  
GAS CORPORATION DEVOTED TO ITS ARIZONA  
OPERATIONS.

Docket No. G-01551A-21-0368

**Response to Comments**

**Response from the Southwest Energy Efficiency Project**

The Southwest Energy Efficiency Project (SWEET) appreciates the opportunity to provide a brief response to the various letters filed from December 29, 2022 - January 6th, 2023, and to correct the record respectfully. While we do not plan to respond to additional letters in the docket, we believe the misrepresentation of our organization only serves as a distraction from the significant rate increase proposed in this proceeding.

**I. SWEEP HAS WORKED IN ARIZONA SINCE 2001 TO SAVE CUSTOMERS MONEY THROUGH RESPONSIBLE AND EFFICIENT INVESTMENTS.**

Many of the letters in the docket characterize SWEET as an out-of-state organization without a local Arizona presence, which couldn't be further from the truth. While SWEET's headquarters is in Colorado, we have had in-state representation since our inception more than two decades ago.

Southwest Gas has a similar corporate structure, with its headquarters in Las Vegas, Nevada.

**II. SWEEP DOES NOT PROPOSE TO BAN NATURAL GAS INFRASTRUCTURE OR FORCE BUILDINGS TO ELECTRIFY.**

Moreover, certain commenters cited SWEET's support of bills in other states, claiming this as proof that we aim to restrict customer fuel choices. Again, this is incorrect. Two of the cited bills from the 2021 Colorado General Assembly explicitly state that "the Commission shall not require the removal of gas-fuel appliances or equipment from an existing structure nor ban the installation of gas service lines to any new structure."<sup>1,2</sup> The legislation in question does not restrict a customer's choice of fuels or limit access to natural gas for new customers. Rather, they protect customers from future instability in gas

<sup>1</sup> HB 21-1238 Section 4 available at [https://leg.colorado.gov/sites/default/files/2021a\\_1238\\_signed.pdf](https://leg.colorado.gov/sites/default/files/2021a_1238_signed.pdf)

<sup>2</sup> SB 21-246 Section 5 available at [https://leg.colorado.gov/sites/default/files/2021a\\_246\\_signed.pdf](https://leg.colorado.gov/sites/default/files/2021a_246_signed.pdf)



prices while improving their health and safety.

Furthermore, as SWEEP stated in its Surrebuttal Testimony,<sup>3</sup> nothing in its proposals will force electrification or limit customer choice. SWEEP merely seeks to add a layer of transparency to Southwest Gas' planning processes to give the Commission and stakeholders greater visibility into the Company's investments. This will minimize risks to ratepayers that investments may become stranded in the future. The Commission must react to avoid burdening ratepayers with unnecessary costs.

### **III. SWEEP RECOMMENDED SOUTHWEST GAS CONDUCT A GAS INFRASTRUCTURE AND INVESTMENT PLAN TO ASSIST IN FUTURE RESOURCE EVALUATION, LIKE ALL OF ARIZONA'S INVESTOR-OWNED POWER-GENERATING UTILITIES ALREADY DO.**

A Gas Infrastructure and Investment Plan (Gas IIP) would identify ways Southwest Gas could further "tighten" its distribution system while saving money from unnecessary, risky, and costly investments in distribution infrastructure and alternative fuels. Southwest Gas continues to invest in resources beyond the distribution system, such as its partnerships with four Renewable Natural Gas facilities and an \$80 Million Liquefied Natural Gas (LNG) storage facility.<sup>4</sup> SWEEP believes that if Southwest Gas proposes to expand its portfolio into resources beyond distribution, it is only prudent for the Commission to collect more data on how these investments impact customers in the long term. We believe the Gas IIP offers the first vital step to ensure proper regulatory oversight. Approval of Southwest Gas's proposed revenue requirement "as-is" without knowing the true cost to customers will only worsen Arizona's already devastating poverty rates and saddle small businesses with higher utility bills.

Many letters in the docket mistakenly assume that analyzing and conducting a technology-neutral analysis mandates electrification or limits natural gas growth. In other proceedings, the Commission has supported a technology-neutral approach to meeting electric customers' needs. Shouldn't Southwest Gas be held to the same bar as its electric counterparts?

SWEEP's recommendations in testimony would also require Southwest Gas to conduct a benefit-cost analysis for large proposed investments in gas infrastructure to ensure its customers that new capital expenditures are necessary for the operation of the gas system. "Non-pipeline alternatives" is not a colloquial term for electrification. Rather, it is a catch-all term for any targeted investment or activity that is intended to defer, reduce, or remove the need to construct or upgrade components of a natural gas system. This analysis asks, "*What combination of resources is best suited to meet Southwest Gas's customer needs in the future?*" Failing to consider whether deferring or reducing the expansion of the gas system is warranted means customers will likely be on the hook for investments that may have otherwise been avoided.

Furthermore, it is important to distinguish what our proposed Gas IIP would and would not achieve. *SWEEP's proposal aims to provide the Commission with much-needed data to oversee Southwest Gas's future portfolio of utility-scale resources properly.* The Commission has no way to scrutinize these investments before they are made. Simply put, our proposed Gas IIP would **NOT** limit the amount of natural gas a customer can procure or require pre-approval for individual customers.

Requiring Southwest Gas to conduct a Gas IIP would only expand Arizona's future economic outlook by proving the value of investments before they are made in an attempt to improve rate gradualism in future cases.

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<sup>3</sup> <https://docket.images.azcc.gov/E000021126.pdf?i=1673237801785>

<sup>4</sup> <https://docket.images.azcc.gov/E000022085.pdf?i=1673244476248>

**IV. SWEEP HAS CONCERNS ABOUT THE COST SHIFT CAUSED BY ALLOWABLE INVESTMENTS AND ITS IMPACTS ON RESIDENTIAL CUSTOMERS. IT IS APPROPRIATE TO PROPOSE WHETHER THIS SUBSIDY IS STILL PRUDENT AND JUSTIFIED.**

Finally, many letters in this proceeding also reiterate Southwest Gas' statements that ending allowable investments will harm economic development. Again, this is not accurate. New customers would continue to have access to any fuel they need. SWEEP's proposal would remove the commercial construction allowance, which averages less than \$1,700<sup>5</sup> per customer, with total allowances in the sector of less than \$3 million per year. This amount pales in comparison to the hundreds of millions of dollars in financial incentives new industrial manufacturers have received to begin construction in Arizona.

An increase of a few thousand dollars will not impact development and competitiveness in Arizona. However, SWEEP believes the price of the allowable investment is too high to be prudent. We believe the allowable investment is a subsidy paid by all ratepayers that flows to the real estate industry and affluent customers who can afford to build new homes and businesses. Eliminating this subsidy will decrease rates for all customers moving forward.

As a non-profit organization dedicated to protecting customers against unnecessary costs, we stand by our record of saving customers billions of dollars by eliminating wasteful utility spending through demand-side management over the last two decades.

Throughout this proceeding, SWEEP has consistently focused on five critical issues, none of which call for an end to natural gas infrastructure or mandated building electrification. Rather, we have proposed sensible policies to eliminate undue economic hardships for Southwest Gas's customers. The fundamental question is whether the proposed rate increase is in the public interest. We are concerned that these distractions are red herrings that will cost customers millions of dollars.

While the Recommended Opinion and Order from Judge Paternoster did not include SWEEP's proposals, we urge the Commission to adopt our recommendations to eliminate the cost-shifting subsidy known as the allowable investment and minimize the risk of stranded assets from unproven investments by directing Southwest Gas to file a Gas Infrastructure and Investment Plan.

We respectfully submit these comments on January 9th, 2023.

**Caryn Potter**  
Arizona Representative  
SWEEP

**Justin Brant**  
Utility Program Director  
SWEEP

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<sup>5</sup> See Exhibit JB-6, <https://docket.images.azcc.gov/E000020593.pdf?i=1673283387699>